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**FISCAL IMPACT STATEMENT**

**LS 6890**

**BILL NUMBER:** SB 337

**NOTE PREPARED:** Jan 28, 2010

**BILL AMENDED:** Jan 26, 2010

**SUBJECT:** Local government merger and cooperation.

**FIRST AUTHOR:** Sen. Head

**FIRST SPONSOR:** Rep. Bartlett

**BILL STATUS:** As Passed Senate

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) This bill requires the Department of Local Government Finance (DLGF) to develop criteria for making a one-time adjustment to allow a political subdivision to retain a portion of its levy and budget that would otherwise be reduced because of savings from a government reorganization or merger. The bill specifies that such an adjustment may not exceed 50% of the savings or reduction realized in the first full year of operation after the merger or reorganization. It also specifies that the adjustment applies in the first year in which the adjustment is made and to all subsequent years.

The bill also provides that fiscal body of the reorganizing political subdivision or new township shall determine and certify to the DLGF the amount of the one time adjustment that the political subdivision or new township wishes to accept. It provides that in the case of a reorganization under the government modernization statutes, the amount of any one time adjustment accepted by a reorganized political subdivision must comply with the reorganization agreement.

**Effective Date:** July 1, 2010.

**Explanation of State Expenditures:** The bill would have no fiscal impact on the DLGF, although the DLGF would be required to establish criteria related to maximum levy adjustments for merged townships.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) Under current law, when a taxing unit or units realize a savings

or reduction in future expenses because of actions taken under the Government Modernization statute, the DLGF must adjust the units' maximum levies. The adjustment may not exceed 50% of the savings.

This provision addresses potential savings realized by townships under the Township Merger statute. Currently, the DLGF must approve a new budget, levy, and tax rate for a new township formed by the merger of two or more townships. Under this bill, any adjustment to the maximum levy of the merged township would be limited to 50% of the first year savings realized from the merger.

The bill would potentially provide additional resources to merged townships by allowing the new township to keep one-half of the levy associated with the savings from the merger.

For maximum levy adjustments under both the Government Modernization and Township Merger statutes, this bill would require the fiscal bodies of the local units involved to determine the amount of the acceptable adjustment and certify that amount to the DLGF. In the case of a certification under the Government Modernization statute, the amount would have to comply with the reorganization agreement.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** Merged Townships; Reorganized taxing units.

**Information Sources:**

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.